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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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DEC 15 1999

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In the Matter of)
Federal-State Joint Board on Universal)
Service)

CC Docket No. 96-45
FCC 99J-2

REPLY COMMENTS ON THE INTERIM HOLD-HARMLESS PROVISION
OF THE WYOMING PUBLIC SERVICE COMMISSION

In its Public Notice of November 3, 1999, the Federal-State Joint Board on Universal Service ("Federal-State Joint Board") seeks comments by December 1, 1999, and reply comments by December 15, 1999, on how the interim hold-harmless provision of its Ninth Report & Order and Eighteenth Order on Reconsideration can be phased out or eliminated. The Wyoming Public Service Commission (WPSC) respectfully provides the Federal-State Joint Board its reply comments regarding the impact of the phasing out or the elimination of the interim hold-harmless provision.

INTRODUCTION

In 1995 the Wyoming State Legislature passed the Wyoming Telecommunications Act (the Wyoming Act) of 1995 which mandated that telephone companies with 30,000 or more access lines set its prices for local telephone service above a total service long run incremental cost (TSLRIC) floor. The Wyoming Act also mandated that cross subsidies between services be eliminated. Additionally, the Wyoming State Legislature created a Wyoming Universal Service Fund to support any customer in Wyoming whose price for local telephone service exceed one hundred and thirty percent (130%) of the weighted statewide average.

In July of 1999, US WEST, (or Company) Wyoming's only non-rural telephone

company, which serves 80% of the access lines in Wyoming, applied to the Wyoming Public Service Commission and received approval for prices that met the requirements of the Wyoming Act. That is to say that prices for US WEST Wyoming customers are now based on a TSLRIC cost model and that all of the cross-subsidies received from other services within the Company have been eliminated. The Wyoming Public Service Commission ordered that the prices also be de-averaged into a base rate area and three zones outside of the base rate area.

Based on the TSLRIC model and the amount of de-averaging, the resulting prices for Wyoming's non-rural customers are \$23.10 per month in the base rate area, \$38.60 per month in zone 1, \$48.60 per month in zone 2 and \$69.35 per month in zone 3. Any federal Universal Service Fund money received by the Company is targeted to the highest cost zones in the following manner: the base rate area customers do not receive a credit on their bill, the customers in zone 1 are credited \$2.00 per month, the customers in zone 2 are credited \$6.50 per month and the customers in zone 3 are credited \$12.25 per month. After targeting the federal universal service fund money, the Wyoming State Universal Service fund credits are applied so that no Wyoming resident pays more than 130% of the weighted statewide average. Today the maximum amount that a Wyoming customer will pay, due to the implementation of a State Universal Service Fund is \$34.81 per month for basic local exchange service. Because Wyoming is the least densely populated state in the nation, the astonishing results are that more than 22% (more than one out of every five) of the *entire* state of Wyoming's customers pay \$34.81 per month for base local exchange service!

The Wyoming Public Service Commission believes that it has acted in concert with the intent of the federal Telecommunications Act of 1996 (federal Act). By removing cross

subsidies from local exchange services, and implementing cost based prices, potential competitors in the local exchange market can make business decisions based on true economic factors. The Wyoming Commission believes that is doing all that it can to foster competition at the local level.

While the federal Act focuses on implementing local competition, Congress also stated clearly that:

“SEC. 254.UNIVERSAL SERVICE.

(b)(3) ACCESS IN RURAL AND HIGH COST AREAS. -- “Consumers in all regions of the Nation, including low-income consumers and those in *rural, insular, and high cost areas* should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.” (emphasis supplied).

COMMENTS

Phasing out or eliminating the interim hold-harmless provision “without causing undue disruption to consumer rates in high-cost areas” is a moot point in Wyoming. Wyoming’s customers have experienced rate shock. The State of Wyoming supports its high rates to the extent that it can through its State Universal Service Fund, however, federal universal service support is critical. It is unreasonable for the only non-rural company in Wyoming, a State that did not wait for the federal mechanism to be securely in place before it re-balanced and de-averaged prices, to not receive any federal universal service funding. Eliminating the interim hold-harmless provision today or in the near future will result in unwanted higher, *incomparable* prices for Wyoming. The best course of action for the Joint Board to take is to maintain the interim hold-harmless provision for thirty six months or longer because without the additional

hold-harmless support the FCC model does not produce reasonably comparable results.

Additionally, the interim hold-harmless provision should be maintained until the support for the rural companies is established so that the total amount of needed federal universal service support can be determined.


Wyoming has embraced the federal Act of 1996 and its customers are faced with extremely high prices. Therefore we ask the Joint Board to continue the interim hold-harmless provision for thirty-six months.

Respectfully submitted,

The Wyoming Public Service Commission,

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for Signature
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Chairman

Not Available
for Signature
Steve Furtney
Deputy Chairman


Kristin Lee
Commissioner

CERTIFICATE OF SERVICE

I, Michael Korber, do hereby certify that on December 14, 1999 I have caused 1) the REPLY COMMENTS ON THE INTERIM HOLD-HARMLESS PROVISION OF THE WYOMING PUBLIC SERVICE COMMISSION, to be filed electronically with the FCC by using its Electronic Comment Filing System, 2) the original and four copies were mailed via Federal Express to the Commission's Secretary Magalie Roman Salas and 3) a copy of the REPLY COMMENTS to be served by first class United States mail, postage prepaid, upon all persons listed on the attached service list:


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